

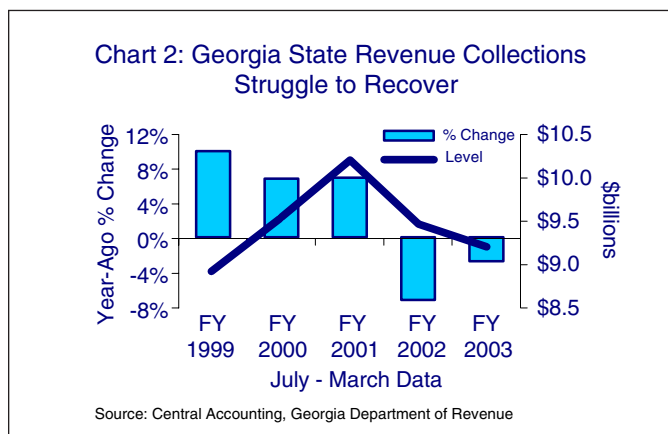
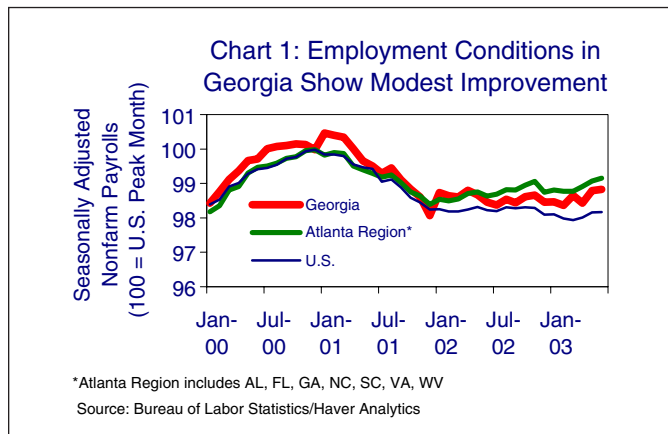
FDIC State Profile

FALL 2003

Georgia

The Georgia economy continues to struggle, as the economic recovery remains weak.

- By mid-year 2003 payrolls had started to increase slightly (see Chart 1), although widespread layoffs threatened the recovery. In second quarter 2003, employment in the state was up 0.4 percent from one year earlier. Despite slowly reviving growth, employment in the state remains about 65,000 below the cyclical peak in January 2001.
- The state's prolonged decline into recession was the result of a series of economic shocks. Employment growth peaked at nearly 4 percent in 1998. By mid-1999, however, the state's manufacturing sector began to contract, particularly as losses in traditional industries, such as textiles and apparel, in primarily non-metropolitan areas accelerated. The downturn in the NASDAQ stock exchange followed in 2000 with resulting job losses in the state's high-tech industries. The aftermath of September 11 adversely affected the state's transportation services and tourism industries, further exacerbating the state's economic conditions.
- The recent recession and subsequent weak recovery have negatively affected the state budget. Year-to-date revenue collections have declined for two consecutive years (see Chart 2). To close the budget deficit, spending on education will be cut by nearly \$200 million, which could lead to layoffs throughout local school districts. Property taxes also may be increased to help reduce the budget deficit.
- The Georgia housing market generally has remained strong; however, growth in home sales and home price appreciation in the state have declined in recent quarters. The recent rise in long-term interest rates could further constrain this critical sector of the state's economy. The Office of Federal Housing Enterprise Oversight reports that price gains are moderating in most Georgia metro areas,



including the *Atlanta*, *Athens*, and *Savannah* MSAs; however, through first quarter 2003 home price appreciation exceeded the rate of inflation.

Despite solid earnings growth, community banks¹ headquartered in Georgia continue to report heightened balance sheet risk that may contribute to asset quality deterioration.

- Earnings among community banks based in Georgia surged during the 12 months ending March 31, 2003. Net income grew 14 percent to \$122 million during the period, much faster than the 5 percent growth rate recorded a year earlier. Greater use of noncore funding helped augment revenues as total interest income fell with market interest rates. By increasing the exposure to noncore liabilities, these institutions benefited from lower funding costs as market interest rates continued downward. A higher level of noninterest income also helped earnings growth.
- Despite weak economic conditions, community bank loan portfolios grew 12 percent as the loan-to-asset ratio increased to 71.1 percent. This compares to a 67.7 percent loan-to-asset ratio regionwide. The majority of the increase occurred in the commercial real estate (CRE) loan portfolio, a segment that includes construction and development (C&D) and nonresidential loans, with some growth also reported in home equity lines. Concentrations in all other loan categories declined during the 12-month period. CRE loans now represent 34 percent of assets, up from 31 percent one year ago and 21 percent five years earlier.
- The majority of the growth in CRE loans and exposure levels has occurred among community banks headquartered in the Atlanta MSA. At March 31, 2003, CRE loans represented 43 percent of assets among banks based in the Atlanta MSA, the highest level among all metro areas in the state. The combination of increasing and relatively high exposures during a prolonged period of economic weakness has contributed to a modest increase in the noncurrent CRE ratio among banks in Atlanta as well as in the Athens and Savannah metro areas during the year ending March 31, 2003. The rapid pace of growth in the CRE portfolio could also be masking additional weakness in asset quality.

¹ Community banks hold assets less than \$1 billion and exclude denovos, specialty institutions and thrifts.

Georgia at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	343	350	361	365	368
Total Assets (in thousands)	199,660,781	176,922,454	177,209,825	160,493,872	83,602,445
New Institutions (# < 3 years)	38	44	48	44	34
New Institutions (# < 9 years)	90	87	76	66	61
Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	9.03	8.97	9.05	9.36	9.32
Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	2.00%	2.11%	2.04%	1.76%	1.98%
Past-Due and Nonaccrual >= 5%	49	45	53	48	54
ALLL/Total Loans (median %)	1.37%	1.35%	1.34%	1.36%	1.43%
ALLL/Noncurrent Loans (median multiple)	1.76	1.97	2.25	2.49	2.43
Net Loan Losses/Loans (aggregate)	0.36%	0.55%	0.64%	0.41%	0.85%
Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	30	29	24	23	25
Percent Unprofitable	8.75%	8.29%	6.65%	6.30%	6.79%
Return on Assets (median %)	1.00	1.08	1.09	1.30	1.18
25th Percentile	0.67	0.63	0.71	0.90	0.84
Net Interest Margin (median %)	4.19%	4.25%	4.50%	4.90%	4.64%
Yield on Earning Assets (median)	6.31%	7.17%	8.99%	8.85%	8.44%
Cost of Funding Earning Assets (median)	2.17%	2.81%	4.53%	3.97%	3.81%
Provisions to Avg. Assets (median)	0.23%	0.22%	0.21%	0.20%	0.18%
Noninterest Income to Avg. Assets (median)	0.79%	0.79%	0.80%	0.77%	0.80%
Overhead to Avg. Assets (median)	3.02%	3.12%	3.20%	3.25%	3.16%
Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	82.50%	82.46%	78.87%	78.41%	75.47%
Loans to Assets (median %)	70.25%	70.35%	67.92%	67.21%	64.85%
Brokered Deposits (# of institutions)	108	98	78	50	36
Bro. Deps./Assets (median for above inst.)	5.48%	4.44%	3.96%	2.77%	3.95%
Noncore Funding to Assets (median)	21.37%	20.84%	20.82%	18.64%	16.81%
Core Funding to Assets (median)	66.93%	67.85%	67.54%	69.97%	71.44%
Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	244	251	259	268	268
National	61	61	67	63	64
State Member	16	14	11	8	8
S&L	5	6	7	6	6
Savings Bank	17	18	17	20	22
Mutually Insured	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	203	29,763,388	59.18%	14.91%	
Atlanta GA	97	154,339,991	28.28%	77.30%	
Macon GA	11	1,625,516	3.21%	0.81%	
Chattanooga TN-GA	8	1,087,119	2.33%	0.54%	
Savannah GA	7	978,376	2.04%	0.49%	
Athens GA	6	1,607,993	1.75%	0.81%	
Columbus GA-AL	4	4,247,411	1.17%	2.13%	
Albany GA	4	785,302	1.17%	0.39%	
Augusta-Aiken GA-SC	3	5,225,685	0.87%	2.62%	